

U.S.-KOREA TRADE AGREEMENT

Louisiana Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Louisiana agricultural products, including cotton, beef, and soybeans. Louisiana's agricultural exports to all countries, estimated at \$838 million in 2009, supported about 6,700 jobs, on and off the farm. These export sales make an important contribution to the Louisiana farm economy, which had total cash receipts of \$2.5 billion in 2009.

Soybeans and Products. Soybeans are the third largest source of farm cash receipts in the state, with sales of \$331 million in 2009. Among the KORUS agreement's benefits to Louisiana's soybean producers and processors:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota (TRQ) starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Feed Grains. Producers of corn used as feed, had cash receipts totaling \$289 million in 2009. Under the KORUS agreement:

- U.S. exports of corn for feed will be duty-free immediately. Korea is currently the third largest market for U.S. corn for feed.
- The FTA includes a new 93,774-metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Cattle and Beef. Louisiana's cattle and calf industry is the fifth largest source of farm cash receipts in the state with sales of \$189 million in 2009. The KORUS agreement will provide many benefits to the cattle and beef industry.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS Agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Cotton. Louisiana's cotton industry is the state's the sixth largest source of farm cash receipts with sales of \$94 million in 2009. Louisiana is the nation's tenth largest cotton exporter with 2009 shipments estimated at \$104 million. Under the KORUS agreement:

- The agreement will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Poultry and Egg Products. Louisiana's poultry exports are estimated at \$3 million in 2009. The KORUS agreement will provide many benefits to the poultry industry.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Louisiana to World
Soybeans and Products	\$17,709,000,000	\$193,000,000
Feed Grains	\$11,979,000,000	\$76,000,000
Cattle and Beef	\$8,907,000,000	\$1,000,000
Cotton	\$3,628,000,000	\$104,000,000
Poultry and Egg Products	\$4,850,000,000	\$3,000,000
Agricultural Total	\$96,632,000,000	\$838,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.